



**Islamic Republic Of Afghanistan
Kabul Municipality**



ASSET MANAGEMENT STANDARD OPERATING PROCEDURE

H.E Mohammad Yonus Nawandesh

Signature: _____



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Acronyms

ANDS	Afghanistan National Development Strategy
CoA	Chart of Accounts
DG	Director General
DM	Deputy Mayor
FMIS	Financial Management Information System
IPSAS	International Public Sector Accounting Standards
KM	Kabul Municipality
LM	Line Ministry
MoF	Ministry of Finance
PFEML	Public Finance and Expenditure Management Law
Qty	Quantity
SoP	Standard Operating Procedures



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Definitions: The following definitions apply to this Standard Operating Procedure:

ACCOUNTING

Accounting in government refers to the practice of collecting, recording, classifying, summarizing, analyzing, communicating and reporting accounting transactions to ensure transparency, disclosure and accountability of accounting data management and timely reporting on revenues and expenditures.

ASSETS

According to IPSAS, Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. From an accounting perspective, assets are divided into the following categories:

- Fixed Assets
- Current Assets

FIXED ASSETS

As per IPSAS, tangible and intangible assets which are used in operations with an initial useful life extending beyond one reporting period.

Examples of fixed assets are: land, artwork, buildings, improvements, infrastructure, construction-in-progress and machinery and equipment.

ASSET IDENTIFICATION NUMBER

Asset Identification Number is a number uniquely assigned to each asset. It can be used for identification in the asset database. For moveable property, the asset number is the tag number which is affixed to the asset. If the tag cannot be physically attached to an asset, the asset number will still be assigned and recorded.

CURRENT ASSET

Current assets are tangible and intangible assets which are intended to be held or used for the short-term that could be converted to cash in less than one year. Special attention may be required to ensure legal compliance, protect public safety or compensate for a heightened risk of theft. Departments have discretion in determining what is operationally appropriate for designation as a Current Asset.

ARTWORK

Artwork is a non-depreciable asset defined by KM to be aesthetically valuable to the city. Artwork is not generally used in the day to day operations of KM. Artwork is recorded using purchase price, estimated fair market value or appraisal at the date of acquisition. Artwork may be recorded even if monetarily below the recording capital asset threshold for tracking and insurance purposes.



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CAPITALIZATION LIMIT

Capitalization limit is the minimum cost per unit at which an asset must be valued to be considered as a capital asset. Assets purchased with grant funds may have a different threshold amount. Usage and disposal of assets acquired by a grant are subject to the grant agreement which supersedes this policy.

Background

The SoP on Asset Management covers important procedures to manage and account effectively for all capital assets acquired by KM. The SoP is intended to facilitate KM officials to better safeguard and maintain the assets that it owns. If proper procedures are not followed, considerable amount of money can be lost or wasted.

Requesting, Procurement and Receipt of Assets

Step #1:

As requested, complete a requisition as per the requirements of the Procurement Law and other relevant laws, regulations and program/project guidelines. This will result in the issuance of a Purchase Requisition and Requisition No.

Note: Prior to engaging in the requisition process, items should be requested from inventory using the FS-9 Request of Goods form to determine if any items are available. If the request is rejected then proceed with Step #1.

Responsible Party: Procurement Office or Requesting Department

Step #2:

Prepare M-3 Purchase Order Form. Use the Requisition No. from Step #1 to reference the Purchase Order to the requisition. Properly obtain the approval of the Purchase Order Form and date it accordingly. Send the original and three (3) copies to the Payment Office.

Responsible Party: Procurement Office or Service Department

Step #3:

Verify that sufficient funds are available in the Allotment from which the purchase will take place.

Sign and date by Accounting Officer. This will certify that sufficient funds are available in the Allotment Advice. Send the original and three (3) copies to the appropriate Authorizing Authority for final approval.

Responsible Party: Bookkeeping Unit under Accounting Office

Step #4:

Review the M-3 Purchase Order Form for accuracy and completeness. Sign and date by Authorizing Authority.



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Responsible Party: DG Admin and Finance or DM Finance and Administration. This will vary based on the size of the purchase.

Step #5:

File one (1) copy of the M-3 Purchase Order Form and send the original to the vendor to complete the order. Send one (1) copy to the Warehouse.

Responsible Party: Procurement Office

Step #6:

Complete the requirements of the purchase order and deliver to the Warehouse of the KM making the purchase. Provide an invoice to the Payment Office.

Responsible Party: Registered Vendor

Step #7:

Receive goods and verify that the requirements of the purchase order have been met. Fill out an original and one (1) copy of the M-7 Goods Received Note documenting the results of the review of goods. File one (1) copy of the M-7 Form and send the original to the Payment Office. (Please refer to Appendix I for detailed instructions on how to fill out the M-7 Form.)

Responsible Party: Warehouse under Service Unit

Step #8:

Compare the information in the M-3 Purchase Order Form, M-7 Goods Received Note, and vendor invoice. Based on this comparison determine the payment due to the vendor. The payment should never be greater than the purchase order regardless of the actual invoice. Payment amounts may be less than the purchase order amount, if the goods received note indicates that not all goods or services were delivered. In this case the payment amount would be reduced by an appropriate amount. File the copies of the M-3 Purchase Order Form and M-7 Goods Received Note.

Responsible Party: Payment Office

Step #9:

Update the M-20 Allotment Expenditure Ledger by posting the purchase order amount as a commitment.

Responsible Party: Bookkeeping Office under Accounting Unit

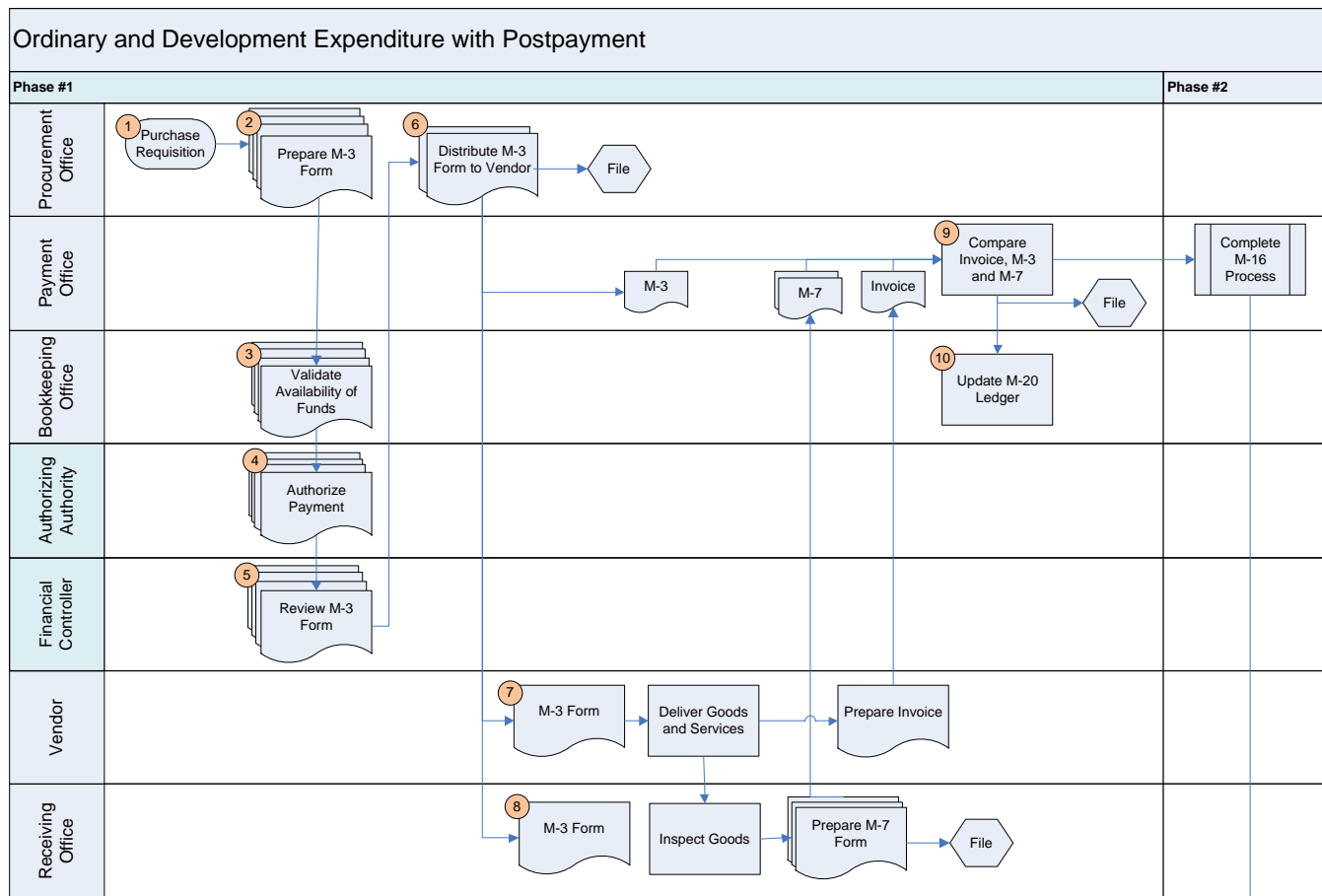
The following figure clearly summarizes the steps mentioned.



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Figure A.1: Requesting, Procurement and Receipt of Assets





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Recording Assets

For each type of good held in inventory, the inventory control record should identify the following:

- Asset Identification Number (asset item numbers are issued sequentially each time a new line of inventory is required);
- Quantity;
- Asset Type;
- Manufacturer;
- Model/Description;
- Purchase/Acquisition Date;
- Purchase Amount;
- Fund Source;
- Service Tag Number, Serial Number or License Number;
- Location/Department;
- Asset User;
- Asset Condition;

The service unit operating under the DG Finance and Administration is responsible for creating an inventory control record for each type of goods or materials held by the Municipality.

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Admin & Finance Department

Asset Registrar

Asset Inventory as of:

Asset Information									Asset Status		
Asset Id	Quantity	Asset Type	Manufacturer	Model/ Description	Purchase/ Acquisition Date	Purchase Amount	Fund Source	Serial #, Service Tag # or License #	Location - Department /Room	Asset User	Asset Condition
1234	1	Laptop Computer	Dell	E5500	June, 2010	\$1,050	USAID/ ARD/KCI	123XYZ	Accounting	Maiwand	New



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M-7 Instructions

Purpose: To record and certify the receipt of purchases of materials, supplies, equipment, and contractual services

Prepare an original and one (1) copy as follows:

Section A: (This Section shall be filled by Warehouse)

- 1) Goods Received Note No. – Enter the serial number beginning with “1” for each fiscal year prefixed by the municipality.
- 2) Municipality/Org. – Enter the name of the organization/municipality from which goods received note is issued.
- 3) Issue Date– Enter the date the form is filled out and the goods are received.
- 4) Purchase Order Ref No. - Enter the serial number of the Purchase Order or ordering document on which the items were ordered. A copy of the ordering document should be on file in the procurement office.
- 5) Vendor ID – Enter the Vendor Identification Number from which the goods were purchased.
- 6) Item No. - Number each good to be purchased, beginning with “1” for the first item, “2” for the second item, etc.
- 7) Asset Tag No. –If applicable, enter any tag number by which the asset will be identified or recorded.
- 8) Qty – Enter the total quantity of each of the goods received
- 9) Unit – Enter the unit of measurement such as meter, liter, or *kharwar* to measure the commodities received for each item, in this column.
- 10) Description – Enter a brief description of each of the good(s) received.
- 11) Unit Price – Enter the unit price of each good in the item list.
- 12) Total Price – Calculate this amount by multiplying the number of units (Qty) by the unit price.
- 13) Remarks – Enter any comments related to quality of goods received, e.g. the field can be used to report broken or damaged items.
- 14) Total Amount – Sum the Field 12 - Total Price of each item. This is the total value of the goods received.

Section B: Review and Authorization

- 15) Warehouse Officer’s Certification -This space is reserved for the certification that the Warehouse Officer attests that all goods or services have been reviewed and are in good condition.
- 16) Warehouse Officer (Sign & Date) -This space is for the Warehouse Officer or other agent to sign and date verifying the receipt of goods.
- 17) Head of Office (Sign & Date) - This space is for the head of the Warehouse to sign and date the goods received note.



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- 18) Delivery Status -This space is used to show the delivery status of the goods received. If the delivery is complete according to the purchase order, mark “X” in the block Complete Delivery. If only a portion of the goods ordered are delivered according to the purchase order, mark “X” in the block Partial Delivery.
- 19) Reconciliation with Purchase Order – Mark “x” in the block in this field to document that the completion of the Goods Received Note has been recorded in the associated M-3 Purchase Order Form in Fields 15 to 17.

Section C: (This Section shall be filled by Financial Controller)

- 20) Authorizing Authority (Sign & Date) – This space is provided for the Authorizing Authority to sign and date after their review and approval.
- 21) Remarks – This space is provided for the Authorizing Authority to provide additional remarks and comments.

PREPARED BY:

APPROVED BY:

DG Finance and Administration

Mohammad Yonus Nawandesh

Kabul City Mayor